

Rating Action: Moody's assigns Aaa GOLT rating to West Chester Area School District, PA's Series of 2021 bonds; outlook stable

20 Apr 2021

New York, April 20, 2021 -- Moody's Investors Service has assigned a Aaa general obligation limited tax (GOLT) rating to West Chester Area School District, PA's \$32.9 million General Obligation Bonds, Series of 2021. Concurrently, Moody's has affirmed the district's Aaa issuer, General Obligation Unlimited Tax (GOULT), and existing GOLT ratings, affecting \$253.8 million in rated debt outstanding. The issuer rating represents the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. The outlook is stable.

RATINGS RATIONALE

The district's Aaa issuer rating reflects its robust financial position, above average wealth and income, growing enrollment, and manageable leverage.

The Aaa rating on the district's GOULT debt is equivalent to its issuer rating based on its general obligation full faith and credit pledge as well as the ability to levy property taxes necessary to pay debt service, without limitation. The lack of distinction between the district's issuer rating and the Aaa rating on the district's GOLT debt is based on the GOLT's general obligation full faith and credit pledge. The GOLT rating also reflects Pennsylvania school districts' ability to apply for exceptions to the cap on property tax increases in order to cover debt service and the Commonwealth's history of granting such exceptions.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The pandemic has not had a material impact on the district given its reliance on local property tax revenue and state aid, which are stable year over year.

RATING OUTLOOK

The stable outlook reflects our expectation that the district's financial position will continue to exhibit strength in the near to middle term while its leverage and fixed costs will remain manageable.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material and sustained draws on reserves and liquidity
- Deterioration of wealth and income levels
- Significant increase in fixed costs that are not commensurate with current credit quality

LEGAL SECURITY

The district's Series of 2021, Series of 2020, Series of 2019, Series of 2018, Series A of 2017, Series AA of 2016, Series A of 2014, Series of 2014, and Series A of 2012 bonds are secured by the district's general obligation limited tax (GOLT) pledge, which is subject to the limits of Pennsylvania's Act 1 "Taxpayer Relief Act."

The district's Series of 2017, Series A of 2016, Series of 2016, Series AA of 2015, Series AA of 2014, and Series AA of 2012 bonds are secured by its general obligation unlimited tax (GOULT) pledge, as they were issued to refund debt that was originally incurred prior to the 2006 implementation of Act 1.

USE OF PROCEEDS

Proceeds from the sale of the Series of 2021 bonds will be used to finance a portion of the district's elementary

schools renovations project.

PROFILE

West Chester Area School District encompasses several communities in central Chester County (Aaa Stable) and one municipality in western Delaware County (Aa1) and covers an area of approximately 75 square miles. The district serves about 12,000 students and operates ten elementary schools, three middle schools, three high schools, and a vocational school.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts Methodology published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1202421. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

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